



Department of the Treasury
Internal Revenue Service

Date:

To contact us:

Contact hours:

ALERT

Dear

Why you are receiving this letter

Based on a recent internal review, a large number of 2011 tax returns you prepared with Earned Income Tax Credit (EITC) contained errors. As a return preparer, you are required to exercise due diligence to make sure EITC claims are accurate.

The need to perform due diligence with regard to EITC claims

A return preparer of EITC returns for taxpayers has a duty to:

- Be knowledgeable in tax law,
- Inform clients of EITC requirements so the preparer can determine if the taxpayer qualifies for EITC,
- Question the taxpayer if any information appears to be incorrect, inconsistent or incomplete,
- Document the responses of the taxpayer, and
- Meet all due diligence requirements before preparing an EITC claim for a taxpayer.

A return preparer must perform due diligence based on the steps set forth on Form 8867, *Paid Preparer's Earned Income Credit Checklist*. If a paid preparer completes a return, this form must be attached when claiming EITC. Tools are available at www.eitc.irs.gov/rptoolkit/main/ to assist tax preparers to meet EITC eligibility requirements when preparing EITC claims.

What can happen if you don't prepare accurate returns

Preparers who fail to meet due diligence requirements on returns with EITC claims face possible penalties, **including monetary penalties**. If there are repeated violations, a civil injunction may be filed and the preparer may no longer be approved to submit taxpayer returns to the IRS.

During the 2013 filing season the IRS will be carefully monitoring the returns you prepare that contain EITC claims.

If these returns don't improve significantly in quality, you may be subject to special follow-up procedures, including the possibility of an on-site visit.

Sincerely,

Director, W&I Reporting Compliance